

WEEKLY ECONOMIC REVIEW

JANUARY 28, 2005

The U.S. economy grew at an annual pace of 3.1% in the fourth quarter of 2004, according to official advance estimates. This was down from the 4.0% rate seen in the third quarter. Weaker trade data contributed to the slowdown, as exports declined for the first time in 18 months, while imports jumped 9.1%. Growth was led by private investment, which increased at an annual rate of 9.2%. On an annual basis, the U.S. economy expanded by 4.4% in 2004, its best performance in five years.

The Bank of Canada maintained its key interest rate at 2.5%, indicating that the Canadian economic outlook has been downgraded slightly (to 2.8% real growth in 2005), due largely to the impact of a higher Canadian dollar on exports. In line with the revised outlook, the Bank hinted that interest rate increases are likely on hold for the time being. These developments placed some downward pressure on the Canadian dollar.

Alberta's employment growth in 2004 was stronger than previously reported, according

↓	Cdn Dollar (C\$/US\$)	
	Jan 28, 2004	80.5¢
	Jan 21, 2004	81.9¢
	2004-05 YTD	77.7¢
↑	WTI Oil \$US/bbl	
	Jan 27, 2004	\$48.84
	Jan 20, 2004	\$46.91
	2004-05 YTD	\$43.72
↓	Nymex Natural Gas \$/mcf*	
	March Contract	
	Jan 28, 2004	\$7.68
	Jan 21, 2004	\$7.94

*Estimate based on Nymex Futures Market Price

to revised data from Statistics Canada.

The Alberta economy generated 40,000 new jobs in 2004, for employment growth of 2.3% (up from the previous estimate of 32,700 jobs, or growth of 1.9%).

Energy markets lacked a firm direction this week, awaiting developments in the Iraq elections and at the upcoming meeting of OPEC (both scheduled for this weekend). Concerns regarding Iraqi supply were offset by a growing consensus that further OPEC production cuts are unlikely in the near term.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date ¹
Retail Trade	November	-0.2%	12.9%	10.9%
		-0.1%	6.7%	4.5%
Industrial Product Price Index (1997=100)	December 108.5	0.3%	3.8%	3.2%
Raw Materials Price Index (1997=100)	December 126.3	-4.3%	11.6%	11.8%
US GDP	4th Quarter	Quarter/Previous Quarter	Quarter/Previous Quarter (Annualized)	Annual Growth (2004 vs. 2003)
		0.8%	3.1%	4.4%

Source: Statistics Canada and U.S. Bureau of Economic Analysis

¹Year-to-date 2004 compared to the same time period in 2003. For example: January-November 2004 versus January-November 2003

Alberta Finance